Internal Auditor: Trusted Advisor
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Agenda

• Lesson Learned – Politics of Internal Audit
• Culture and Trust
• Traits of a Trusted Internal Auditor
• Trust Maturity Model
• Steps to Trusted Advisor
• Summary
This presentation assumes……..

• You have competent and trained internal auditors who follow the internal audit standards

• Also, assumes you have auditors who can develop relationships
What Firms Refer to Internal Audit
Trusted Advisor
Lessons Learned

• Build relationships
• Understand the culture of the organization
• Business acumen and judgement is needed
• Focus on shared objectives
• Build a strong internal audit charter and foundation
• Know your limits and be courageous
Lessons Learned Part 2

- Staff the audit function to add value
- Facts are your friend
- Maintain composure
- Anticipate political pressure
- Self-reflection
How an Organization Responds to Internal Audit Says a lot About Culture

• How receptive is management to an audit of their area?
• How open and cooperative is management during an engagement?
• How receptive and responsive is management to findings and recommendations?
What if?

• The organizational culture is a barrier to internal audit being a “Trusted Advisor”
• Management doesn’t want internal audit to be a “Trusted Advisor”
• Your staff isn’t used to building relationships and working as a “Trusted Advisor”
Strategies for Auditing Culture

Auditing Culture is a Journey

An enterprise-wide assessment of culture

Issuing capstone or theming reports based on multiple inputs

Audits of culture within lines of service, business units, or geographies

Identifying culture as the “Root Cause” in Individual conclusions/findings

Richard Chambers-GAM 2016
Culture and Trusted Advisor Impact

• Does culture impact the ability to be a “Trusted Advisor”?
• Does the amount of Assurance (Validation) and Advisory (Consulting) work impact the Value Proposition of Internal Audit?
• Is it possible to move up the maturity model of “Trusted Advisor”?
A Harvard psychologist says people judge you based on 2 criteria when they first meet you:

- Can I trust this person?
- Can I respect this person?
Key Traits of the Trusted Advisor

- Credible
- Authentic
- Client First
- Empathetic
- Realistic
- Passionate
- Long Term
- Transparent
- Reliable
Traits of The Trusted Advisor

• Is credible (Credible)
• Is genuinely interested in their clients and their businesses (Authentic)
• Puts clients’ interests first, rather than their own (Client First)
• Connects emotionally (Empathetic)
• Believes it is important to address the client’s underlying needs not just wants (Realistic)
• Is genuinely passionate and enthusiastic (Passionate)
• Believes the goal is to develop a long term relationship and not merely achieve a short term gain (Long-term)
• Free from pretense or deceit (Transparent)
• Is reliable – they keep their promises (Reliable)
So……
A Matter of Trust
Ia Article April 2016 Issue

- Understand the business.
- Better preparation and knowledge of lines of business.
- Balance assurance and consulting.
- Must have the right talent and right team.
- Move compliance auditing to second line of defense.
- Being accepted as part of management team.
- Remote workers and technology has made it more difficult to be a trusted advisor.
- Relationships can help in improving every level of the three lines of defense.
- Major initiatives and looking forward is key.
- Trusted advisers need tact, then diplomacy and political awareness.
- Knowing who to say what and when is key.
- Put a premium on modesty and self-restraint.
- Provide insight to the board outside the normal audit program.
- Auditor has to be free to say when something has not worked and to suggest alternative ideas.
As a Trusted Advisor.....

- Understand their world
- You listen more than you talk
- They call you for your opinion
- Developed credibility
- Encourage flexibility
- Management wants to hear from you
Internal Audit Trusted Advisor Maturity Model

RM - Relationship Management
Initial

- Relationships exist with audit clients however they are fragmented and ad hoc
- Relationships managed in silos and reactive
- Documented policies and procedures do not exist related to relationship management
- Individual department/function driven and relies more on internal audit to drive audit client relationships
- Limited use of “Trusted Advisor” throughout organization
Adequate

• “Trusted Advisor” relationship of internal audit is well defined
• Identification, inventory and continual management of relationships throughout the organization
• Extensive call program with key executives defined
• Agreement that “Trusted Advisor” relationship is key in the success of coordinating risk management activities
• Internal auditors on key management committees and invited as part of key management teams
Enhanced

- Formal strategy in place to improve relationship management and “Trusted Advisor”
- Comprehensive relationship management program
- Use of tools and techniques to focus on consulting on controls
- Training program for all internal audit staff on relationship management
- All who you report to use the term “Trusted Advisor” for internal audit
• Internal audit is part of the annual business strategic planning meetings
• Internal Audit attends executive management confidential sessions
• All auditors are part of the “Trusted Advisor” strategy
• Continuous improvement plan in place to improve relationship management
• Internal Audit has converted the most difficult audit clients

“Trusted Advisor” is the culture
Internal Audit Trusted Advisor Maturity Model

RM - Relationship Management

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<td>Trusted Advisor is the culture</td>
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Who says “Let’s find a Solution” NOT “No” or “Can’t Do It” Wins the Trusted Advisor Role

• Compliance
• Information Security
• Legal
• Physical Security
• Regulators
• External Auditors
• Internal Auditors
“What the Ia June 2016 Issue Says”

• Few if any audit requests come your way throughout the year.

• Minimal input is received during internal audit's annual risk assessment process.

• You are not invited to meetings where business strategy is discussed or formulated.

• Recipients of our reports are indifferent or resistant to conclusions or recommendations.

• When a significant risk is identified, management doesn't call you – they seek a consultant
Summary
Steps to The Trusted Advisor

• Really understand their business
• Set the tone for the entire internal audit organization – You can’t do it alone
• Continue to Evaluate Your Trusted Advisor Relationships
• Train all auditors and create a culture of trust
• Multiple cultures exist within the organization
• Can Internal Audit Change the Culture(s)?
• Go to lunch with an audit client
• Utilize IIARF resources
Additional Resources

• Sonia Luna, Be More Than Just an Auditor, Be A Trusted Advisor, [https://youtu.be/kate8aNNVyc](https://youtu.be/kate8aNNVyc)


• J. Qatato, Auditor or Advisor, *Ia Magazine*, April 2014

• P. Miller and L. Rittenberg, *The Politics of Internal Auditing*  
  IIA Research Foundation, 2015


• PWC State of the Internal Audit Profession  
  State of the Profession - 2014
Coming Soon! Expected February 2017.

TRUSTED ADVISORS

KEY ATTRIBUTES OF OUTSTANDING INTERNAL AUDITORS

RICHARD F. CHAMBERS
President and CEO of The IIA

The Lone Star Auditor
THE AUSTIN CHAPTER OF THE INSTITUTE OF INTERNAL AUDITORS
Questions?

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